Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 07257 272200Z

67
ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 IO-14 DRC-01 INT-08

/183 W
---------- 047646
P 272050Z SEP 74
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC PRIORITY 8270

LIMITED OFFICIAL USE BUENOS AIRES 7257

E.O. 11652: N/A
TAGS: EINV, AR, US
SUBJECT: PROBLEMS OF AMERICAN COMPANIES IN ARGENTINA

REF STATE 213236

1. MR JOHN T LESLIE, PRESIDENT OF KAISER ALUMINUM OF ARGENTINA, CALLED AT EMBASSY ON SEP 18 TO EXPLAIN SERIOUS PROBLEMS BEING FACED BY KAISER IN ARGENTINA.

2. HE SAID THAT ABOUT A MONTH AGO KAISER WAS VISITED BY TAX INSPECTORS WHO DEMANDED A GREAT DEAL OF FINANCIAL DETAIL ON THE COMPANY'S OPERATIONS GOING BACK TO 1967. MR LESLIE BELIEVES THE PURPOSE OF THIS DEMAND IS TO FORCE KAISER TO PAY ALLEGED BACK TAXES ON EXCHANGE DIFFERENCES INVOLVED IN PAYMENTS FOR IMPORTED ALUMINUM. KAISER IMPORTS ABOUT $1.3 MILLION DOLLARS OF SEMI-FINISHED ALUMINUM PER MONTH, AND HAS BEEN DOING SO FOR SOME TIME. DURING MOST OF THE PERIOD FROM 1970 TO THE PRESENT, THE PESO HAS BEEN UNDERGOING A PROCESS OF DEVALUATION, BOTH OFFICIALLY AND UNOFFICIALLY. FREQUENTLY, DURING THAT TIME, THE PAYMENTS WHICH KAISER OF ARGENTINA HAD TO MAKE TO ITS PARENT COMPANY FOR
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUENOS 07257 272200Z

IMPORTED ALUMINUM (THE DEBTS WERE ALWAYS DENOMINATED IN DOLLARS,

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

OF COURSE) WERE GRATER IN TERMS OF PESOS WHEN THE PAYMENT WAS MADE THAN WHEN THE SHIPMENT WAS ORIGINALLY ORDERED OWING TO THE DETERIORATION IN VALUE OF THE PESO. NOW IT APPEARS THAT THE GOVERNMENT TAX PEOPLE ARE GOING TO TRY TO CLAIM THAT THESE ADDITIONAL AMOUNTS WERE "HIDDEN DIVIDENDS", RATHER THAN MAINTANEANCE OF VALUE OF THE DOLLAR PAYMENTS. THEY WILL PROBABLY CLAIM THAT THESE AMOUNTS ARE NOT PROPERLY CHARGEABLE AGAINST INCOME TAX AS COSTS, AND WILL THEREFORE PRESENT KAISER WITH A LARGE BILL FOR BACK TAXES. MR LESLIE SAYS THAT THE TOTALBILL COULD BE WELL OVER A MILLION DOLLARS.

3. MR LESLIE SAID HE BELIEVED OTHER US COMPANIES MAY BE FACING THE SAME PROBLEM. HE SUGGESTED THE AMBASSADOR CONSIDER AN APPROACH TO THE ARGENTINE GOVERNMENT, NOT SPECIFICALLY IN BEHALF OF KAISER, BUT SIMPLY EXPRESSING TO THE GOA THE USG'S CONCERN AT THE EFFECTS THIS KIND OF PROBLEM AND OTHER KIND OF ECONOMIC PROBLEMS MIGHT HAVE ON US BUSINESS AND ON THE ENTIRE BUSINESS AND INVESTMENT CLIMATE. DECON 9/27/75.
HILL

LIMITED OFFICIAL USE

NNN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTES, FOREIGN INVESTMENTS, BUSINESS FIRMS, TAX ASSESSMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUENOS07257
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740273-0842
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974099/aaaaahcm.tel
Line Count: 80
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 213236
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2002 by cunninfx>; APPROVED <04 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROBLEMS OF AMERICAN COMPANIES IN ARGENTINA
TAGS: EINV, AR, US, KAISER
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005